

THE ECONOMY

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 11, 1996

Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington Report for Wednesday, September 11, 1996, into the CONGRESSIONAL RECORD.

THE ECONOMIC OUTLOOK

As I travel around the 9th District, Hoosiers continue to ask me about the economy and its outlook. They wonder about the outlook for jobs and our international competitiveness, but most recognize that the economy is in better shape now than it was several years ago. They hear a lot about proposals to change our economic policy, stimulate growth through major new tax cuts, and ease up on our deficit reduction effort. They question whether this is the time to make a major change in economic policy.

On many measures, the economy today is in good shape. Unemployment is near a 25-year low, and so is inflation. The stock market is booming, growth of the overall economy is solid, and Federal Reserve officials have been optimistic enough about inflation to leave interest rates unchanged. Of course there are some problems. Income inequality has worsened over the past several years, and wages, which have been stagnant since the early 1980s, are just now starting to rise again.

But overall, progress has been made. In January 1993, the federal budget deficit was spiraling upward while the economy was in the slowest recovery of the postwar era. The President and Congress passed the 1993 deficit reduction package which has led to a dramatic drop in the deficit and has helped produce a steady, sustainable economic recovery. Critics were saying that the package would cause a recession and higher unemployment, but it has had just the opposite effect, boosting the economy in several key ways. My view is that whatever adjustments we might make to our economic policy, we should not waver from our central goal of reducing the deficit, balancing the budget, and creating the conditions for non-inflationary growth in the American economy. We must avoid policies that threaten to again balloon the deficit.

PERFORMANCE OF THE ECONOMY

Deficit Reduction

Washington has been obsessed with deficits for more than a decade. American voters have consistently rated the budget deficit as one of their top public policy concerns. So the good news is that the deficit has declined significantly since passage of the 1993 deficit reduction package. The deficit this fiscal year will be \$116 billion. That's almost \$50 billion less than last year and far below the deficit peak of \$290 billion in 1992. That will make the deficit as a share of the economy, at 1.5%, the lowest since 1974, and the lowest of all the major industrialized countries. We must continue on to our goal of a balanced budget.

Economic growth

The pace of the current expansion of the economy is solid and modest, growing at a 2.5% rate since 1993. This is better than the 1.5% growth rate in the previous four years, and slightly above the average of the major industrialized nations. Growth in the second quarter of 1996 was at a robust 4.8% rate, but that should moderate in the last half of the year. After 65 months, the cycle of expansion that the economy is enjoying has already

outlasted all but two of the other eight postwar expansions. Even so, the economy is growing in a balanced way, and inflation, which has killed off a number of previous economic expansions, has not occurred. Strong, non-inflationary growth will do much to improve the outlook for working Americans.

Jobs

Job growth continues to remain strong. The economy has created nearly 10 million new jobs in the last four years. Most of these were good jobs paying above-average wages, and most were in the private sector, an indication of a revitalized economy. In 1995, more than 50,000 net jobs were created in Indiana. Leading the way in Hoosier job growth was the manufacturing sector, with a 7% increase in employment. This means the strong rebound in manufacturing jobs is continuing, after heavy losses between 1989 and 1993.

Unemployment

Strong job growth has helped bring the unemployment rate down to its lowest level in years. Since the beginning of 1993, the national unemployment rate has dropped from 7.1% to 5.1%. In Indiana, the news is even better, where the economy has outperformed the national economy, resulting in an unemployment rate of just 4.2%. Experts expect the unemployment rate to remain steady through 1997.

Inflation

Inflation, which peaked at 6.1% in 1990, has remained below 3% in recent years. During 1995, the inflation rate was only 2.5%, and it is expected to remain around 3% through 1997. The Federal Reserve has done a good job of keeping inflation in check.

Productivity

While not as robust as in the 1950s and 1960s, productivity continues to show solid gains, and the United States remains the most productive nation in the world. The lower interest rates resulting from deficit reduction have boosted business investment and productivity.

Wages

A continuing problem is that while we have created millions of new jobs and the national income is rising, wages for the average family have not kept pace with inflation. Since 1968, while the incomes of middle class and poor families have dropped in real terms, the income of households in the top 20% of the population has increased by almost 50%. Although there are signs that wages for the average worker have begun to improve, our policies must ensure that all Americans benefit from economic growth. The recent increase in the minimum wage is a positive step in the right direction.

Trade deficit

Another disappointment is the trade deficit. Even though the U.S. is exporting a record amount of goods and services, we still import over \$100 billion more than we export. This trade gap is expected to narrow as improved economic growth in Europe and elsewhere improves the ability of other countries to buy U.S. products. And recently the monthly trade deficit did improve by 20%.

We have made significant progress in the last four years, and most forecasters expect the economy to continue on its path of modest growth, low inflation, and low unemployment. That is good news. We have to continue working to reduce the budget deficit. But, we must do it in a way that does not jeopardize our economic gains. We need to make sure that any proposed tax cuts are fully paid for, up front, and do not balloon the deficit. We have to continue investing in education, research, and infrastructure.

These are things that help build a foundation for the long-term economic health of the country. The bottom line for me is that the policies we follow should improve the lives of average working families. I think we are on the right path, but there is more work to be done.

AMERICA'S VETERANS DESERVE BETTER THAN THE CLINTON ADMINISTRATION

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 11, 1996

Mr. SOLOMON. Mr. Speaker, 4 years ago, then Governor Clinton campaigned as if he would be a great defender and proponent of America's veterans, their benefits and their role in his administration. Now, as is the case with many other campaign promises and claims he has levied, his record says differently.

From the constitutional amendment to prohibit the physical desecration of the American Flag, to the employment of veterans at the White House and in his administration, President Clinton has repeatedly proven himself to be a disappointment to so many veterans who believed he was on their side in 1992. Even when it comes to financing the VA hospitals that provide critical health care to service-disabled veterans, President Clinton cannot compare to the record this Congress has shown. In fact, the congressional budget would spend \$10.6 billion more than the President over the next 6 years and the House has proposed spending \$60 million more on veterans health care than the President in 1997 alone.

The following article which appeared in the August 26, 1996 edition of *Insight* magazine outlines perfectly the feeling of abandonment many of America's courageous veterans feel as a result of this President's actions, or inactions. Clearly, President Clinton's record on veterans issues says more than his rhetoric.

LAST LINE OF DEFENSE

(By David Wagner)

Many Vietnam-era veterans rallied around Bill Clinton during his campaign for the White House. Now some are wondering if the president is a deserter in their battle for those who served.

In 1992, Lewis B. Puller, Jr., a severely wounded Vietnam veteran and son of legendary Marine Gen. "Chesty" Puller, won the 1992 Pulitzer Prize for his autobiography *Fortunate Son: The healing of a Vietnam Vet*. On May 11, 1994, he committed suicide.

At the time, Puller had been working with John Wheeler—president of the Vietnam Children's Fund, chairman of the committee that raised funds to build the Vietnam Veterans Memorial and author of *Touched With Fire: The Future of the Vietnam Generation*. The two were trying to obtain from the Clinton White House an accounting of its records of hiring veterans for senior positions.

Puller and Wheeler had supported Bill Clinton in 1992 and had helped rally vets to the militarily challenged Democrat's candidacy. For instance, Wheeler wrote an op-ed that appeared in *USA Today* during the 1992 Democratic primaries rebuking then-candidate Sen. Bob Kerrey of Nebraska for exploiting his Vietnam experience in the race against Clinton.

Puller and Wheeler had expected that once the new administration was in office it